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ORIGIN ARA-20

INFO OCT-01 ISO-00 SS-20 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 USIA-15

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 IO-14 SAB-01 /172 R

DRAFTED BY ARA/LA-PLC:JLMARTIN:LG

APPROVED BY ARA/LA-PLC:RJBLOOMFIELD

S/S:MR. GAMMON

S-MR. BREMER

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FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 082263

E.O. 11652: GDS

TAGS: PFOR OCON

SUBJECT: MFM: SUMMARY OF CLOSED SESSIONS

1. THE FOLLOWING IS A SUMMARY OF THE FIRST CLOSED MFM SESSION, WEDNESDAY AFTERNOON, APRIL 17. THESE REMARKS WERE RECORDED BY U.S. REPRESENTATIVES PRESENT AT THE MEETING. THE NOTES ARE NOT AN OFFICIAL RECORD, AND ARE PROVIDED ONLY FOR YOUR BACKGROUND USE.

2. FM MEXICO (RABASA) OPENED MEETING, REFERRED TO SPIRIT OF TLATELOLCO, NOTED ABSENCE OF FM GUATEMALA AND PROPOSED MESSAGE OF CONDOLENCE, AND CALLED FOR NOMINATION OF CHAIRMAN. SECRETARY KISSINGER NOMINATED AND ELECTED BY ACCLAMATION, MINEXTAFF BARBADOS MOE ELECTED VICE-CHAIRMAN. SECRETARY ACCEPTED AGENDA ORDER AGREED TO BY LATINS AND CARIBBEANS IN PRIOR CAUCUS; I.E. (1) TRADE AND MONETARY, (2) COOPERATION FOR DEVELOPMENT, (3) ECONOMIC COERCION, (4) PANAMA, (5) TECHNOLOGY, (6) ENERAL HEMISPHERIC
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RELATIONS.

3. FM VIGNES (ARGENTINA) SPOKESMAN ON TRADE AND MONEY
TARY ITEM READ PREPARED STATEMENT:

A. GENERAL: U.S. STILL COMMITTED TO 1970 STANDSTILL

AGREEMENT. IT IS UNDERSTOOD U.S. INTENTIONS EXPRESSED IN DECLARATION OF TLATELOLCO AND IN PRIVATE MEETINGS WOULD BECOME FACTS. SINCE THEN THERE HAVE BEEN CONTRADICTIONS AND BACKWARD STEPS. INTENTIONS MUST BE GIVEN CONCRETE FORM NOW. WHAT HAS HAPPENED REGARDING GSP CONSTITUTED A NEGATIVE PRECEDENT. U.S. PUBLIC CAN BE SATISFIED WITH SPIRIT BUT OUR PEOPLE WANT RELATIONSHIP BASED ON CLEAR, POSITIVE FACTS.

B. TRADE: U.S. MADE EXTENSIVE COMMITMENTS TO DIALOGUE, CONSULTATION AND NEGOTIATION IN 1970 BASED ON WHICH SCCN ESTABLISHED. WE CALL ATTENTION TO IMPORTANCE OF MEETING COMMITMENT TO STATUS QUO (PRIOR COMMITMENTS). WE HOPE TO RECEIVE TANGIBLE ASSURANCES CONCERNING COMMITMENT TO NO NEW RESTRICTIONS ON IMPORTS OR EXPANSION OF THOSE EXISTING. ASSURANCES ASSUME URGENCY IN VIEW OF DELAYS IN U.S. TRADE REFORM ACT (TRA). IMMEDIATE REDUCTION OR ELIMINATION OF IMPORT RESTRICTIONS FOR SPECIAL PRODUCTS URGED AS AN EARNEST OF U.S. COOPERATIVE SPIRIT AND RESULTS WHICH MIGHT ACCRUE LATER.

C. GSP: OBSERVED WITH CONCERN U.S. ONE OF FEW INDUSTRIALIZED COUNTRIES NOT YET OPERATING TARIFF PREFERENCES PLEDGED IN 1968 IN UNCTAD. NOTED U.S. PROPOSED LEGISLATION RESTRICTIVE. BEFORE U.S. EXCLUDES A PRODUCT CONSULTATIONS SHOULD BE HELD.

D. MTN: MULTILATERAL TRADE NEGOTIATIONS HAVE NOT PROGRESSED ACCORDING TO EXPECTATIONS. U.S. REQUESTED TO SUPPORT LATIN PROPOSALS FOR NON-RECIPROCITY, DIFFERENTIAL TREATMENT, AND EXPANDED AND INSTITUTIONALIZED GSP BENEFITS, TO IDENTIFY COMMON INTERESTS IN MTN, TO UTILIZE SCCN FOR CONSULTATIONS.

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E. MONETARY: LAS HAVE THREE CONCERNS (1) EFFECTIVE PARTICIPATION IN MONETARY DECISION MAKING, (2) THAT REFORM ENVISAGE NET TRANSFER OF RESOURCES TO LDCS, (3) THAT MONETARY NEGOTIATIONS BE INTEGRAL TO FLOW OF FINANCIAL RESOURCES FOR LDCS AND TO OPENING MARKETS FOR THEIR PRODUCTS. DEVELOPED COUNTRIES ARE DE FACTO FIXING MONETARY PARITIES BY EXTENDING TEMPORARY ARRANGEMENTS. THEY ALSO EXPORT THEIR INFLATION THROUGH PRODUCT COSTS TO LDCS. LAS

HAVE NOT SEEN IN IFIS ACTION BY U.S. INDICATING DISPOSITION TO FACILITATE USE OF AVAILABLE RESOURCES IN AMOUNTS CONSONANT WITH LA ASPIRATIONS. CHANGE IN U.S. POLITICAL ATTITUDE IS REQUIRED.

F. IF NEGATIVE TRENDS NOTED ABOVE CONTINUE, AND WORSEN, IT WILL NOT BE POSSIBLE CARRY FORWARD DIALOGUE OF

COOPERATION. THIS WOULD NOT BE IN ACCORD WITH OUR INTENTIONS OR EXPECTATIONS BUT GIVES CAUSE FOR PROFOUND CONCERN.

4. FM VAZQUEZ (COLOMBIA): U.S. HAS NEVER SINCE BEGINNING OF ALLIANCE FOR PROGRESS DEFINED TRADE POLICY TOWARD LA. DECLARATION OF TLATELOLCO SAYS MUCH ABOUT SPIRIT AND DIRECTION ON MANY QUESTIONS BUT ON TRADE ONLY SAYS U.S. TRA SHOULD BE PASSED. SOON AFTER MEXICO MFN SOME COUNTRIES NOTIFIED OF POSSIBILITY OF COUNTERVAILING DUTIES. WE WONDER IF THIS ACTION CONSISTENT WITH SPIRIT AND LETTER OF DOCUMENT OF TLATELOLCO. IF WE HAVE NEW SPIRIT AND COUNTERVAILING DUTIES AT SAME TIME, PUBLIC WILL BE INCREDULOUS. ON TRADE PREFERENCES I DOUBT GLOBAL ISSUES CAN BE DEALT WITH IN SCCN. REAL QUESTION IS WHETHER UNCTAD AND UNGA DECISIONS WILL BE HONORED. BILATERAL APPLICATION (COLOMBIA CASE) OF MULTILATERAL PRINCIPLES MUST COINCIDE, OTHERWISE LATTER ARE ONLY THEORETICAL AND GREAT POWER DEALS WITH EACH COUNTRY ON ONE-BY-ONE BASIS.

5. SECRETARY KISSINGER:

A. RE VIGNES POINT ON U.S. PUBLIC SATISFACTION WITH SPIRIT, U.S. PUBLIC OPINION NOT DEEPLY INTERESTED IN PROBLEMS WE DEALING WITH HERE. DANGER IS PUBLIC MAY WANT REST OF WORLD TO GO AWAY. EACH OF US HAS DOMESTIC LEGISCONFIDENTIAL

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LATION TO CONSIDER AND MUST OPERATE IN GIVEN CONTEXT. WE ALL WANT RAPID PROGRESS AND WILL PROCEED ON THAT BASIS.

B. WE HAVE OFFERED GREATER CONSULTATION IN RE INTERNATIONAL NEGOTIATION. I HAVE HEARD CONCERN FROM SOME OF YOU THAT WE INTEND NEGOTIATE WITH EACH COUNTRY ON BASIS OF STRICT RECIPROCITY, OR AT LEAST SEPARATELY. MY VIEW IS WE HAVE SPECIAL CONCERNS IN HEMISPHERE, AND STRICT RECIPROCITY IS NOT POSSIBLE IN OUR RELATIONSHIP. CONSULTATIONS CAN PROCEED BOTH BILATERALLY AND MULTILATERALLY. AMB. EBERLE HERE LEAVES SATURDAY FOR DISCUSSIONS. WE HAVE ALREADY AGREED IN IA-ECOSOC, QUITO ON CERTAIN GUIDELINES FOR TRADE TALKS IN SCCN.

C. WHEN TRA PASSED WE WILL DISCUSS PRODUCTS FOR PREFER-

ENCE LIST. I REITERATE U.S. STANDSTILL COMMITMENT ON TRADE RESTRICTIONS.

D. RE ACCESS TO U.S. MARKET, IT IS LARGEST AND MOST ACCESSIBLE TO LA PRODUCTS. IN FIRST QUARTER 1974 LA

EXPORTS TO U.S. INCREASED 50 PERCENT OVER LAST YEAR. OVER 60 PERCENT OF LA EXPORTS ENTER U.S. DUTY FREE. WE HAVE NOT CUT BACK ON THOSE, THOUGH RISE IN OIL PRICES OFFERED TEMPTATION. WE WILL DO UTMOST TO ASSURE LA ACCESS TO U.S. AND OTHER MARKETS. ON COUNTERVAILING DUTY REFERRED TO BY VAZQUEZ, PROBLEM IS EXECUTIVE BRANCH HAS LITTLE DISCRETION. WE TRIED DELAY BRAZIL CASE BUT WERE THREATENED BY COURT ACTION. IN TRA WE ASKED FOR FOUR-YEAR DISCRETIONARY AUTHORITY ON COUNTERVAILING DUTIES TO TAKE ACCOUNT OF SPECIAL CONSIDERATIONS. I HOPE WE CAN WORK TOGETHER IN MTN ON DEFINITION OF SUBSIDIES. IF WE DO SO, USG WILL SEEK CHANGES TO MAKE ITS LEGISLATION CONSISTENT. LET ME SAY TO BRAZIL AND COLOMBIA, I REGRET WAY THESE PROBLEMS HAD TO BE HANDLED.

E. CLOSE STUDY ARGENTINE PRESENTATION, DESPITE DISSATISFACTION WITH U.S. POLICY, INDICATES WE NOT SO FAR APART. RE POINT B, WE HAVE ALREADY AGREED TO CONSULT ON ALL THESE ISSUES. RE STANDSTILL, WE SUPPORT THIS BUT ARE GOVERNED BY LAWS TO WHICH WE ATTEMPTING INTRODUCE
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GREATER FLEXIBILITY. AMB. EBERLE WILL BE DEALING WITH ISSUE OF REMOVAL OF RESTRICTION OF IMPORTS IN SPIRIT OF TLATELOLCO.

F. ON APPLICATION OF GSP WE HAVE ALREADY OFFERED TO CONSULT AND TAKE SPECIAL CONCERNS INTO ACCOUNT.

G. RE MTN - ALL SHOULD MAKE PROPOSALS. I SEE NO DIFFERENCES HERE. FULL RECIPROCITY IS NOT REQUIRED. WE ACCEPT IDENTIFICATION OF COMMON INTERESTS AND CONSULTATIONS IN THE SCCN. SO WE SEE PROGRAM OF COOPERATIVE ACTION. SOME HAVE BEEN IMPLEMENTED, OTHERS ON VERGE OF IMPLEMENTATION, AND OTHER PARTS AWAIT APPROVAL TRA.

H. U.S. SUPPORTS REPRESENTATION OF LAS IN C-20 AND HAS TAKEN LA POINTS OF VIEW INTO CONSIDERATION. WE DO NOT AGREE TO USE SDRS FOR RESOURCE TRANSFERS BUT DO BELIEVE IN NEED FOR INCREASED FLOW OF RESOURCES TO LDCS AND NEED FOR MORE GRANTS OR CONCESSIONARY LOANS. WE WILL UNDERTAKE PRIOR CONSULTATION ON FINANCIAL MATTERS.

6. CONTINUATION THIS SESSION, DISCUSSION ECONOMIC

COOPERATION, FOLLOWS BY SEPTTEL. KISSINGER

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